

## Message Text

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ORIGIN STR-05

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07  
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ALSO FOR USMTN

E.O. 11652: N/A

TAGS: ETRD, GATT, CA

SUBJECT: US/CANADA AGREE ON COMPENSATION FOR CANADIAN TEXTILE ACTIONS

1. THE UNITED STATES AND CANADA HAVE AGREED ON COMPENSATION FOR CANADIAN ARTICLE XIX ACTIONS.

2. FOLLOWING IS SUBSTANCE OF STR PRESS RELEASE:

CANADA AND THE UNITED STATES HAVE SUCCESSFULLY NEGOTIATED A MUTUALLY SATISFACTORY RESOLUTION OF A BILATERAL TRADE PROBLEM STEMMING FROM IMPORT RELIEF ACTIONS TAKEN BY THE CANADIAN GOVERNMENT IN LATE 1976, WHICH RESTRICTED THE LIMITED OFFICIAL USE

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IMPORTATION INTO CANADA OF CERTAIN POLYESTER YARNS, DOUBLE-KNIT FABRICS, AND CERTAIN CLOTHING ITEMS. DETAILS ANNOUNCED TODAY BY AMBASSADOR ROBERT S. STRAUSS, THE PRESIDENT'S SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ARE CONTAINED IN AN OFFICIAL EXCHANGE OF LETTERS, THE TEXTS OF WHICH ARE ATTACHED TO THIS RELEASE.

CANADA'S TEXTILE IMPORT RESTRICTIONS, MAINLY IN THE FORM OF QUOTAS, WERE IMPOSED LAST YEAR AS ACTIONS UNDER ARTICLE XIX OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT), THE INTERNATIONAL "ESCAPE CLAUSE" PROVIDING FOR

TEMPORARY RELIEF FROM SERIOUSLY INJURIOUS IMPORT COMPETITION.

THE UNITED STATES HAS SINCE CONSULTED WITH THE CANADIAN GOVERNMENT TO REQUEST COMPENSATORY REDUCTION OR SUSPENSION OF IMPORT DUTIES ON A NUMBER OF OTHER ITEMS OF EXPORT INTEREST TO THE UNITED STATES. THE EXCHANGE OF LETTERS INCLUDES A CANADIAN UNDERTAKING TO REDUCE OR SUSPEND DUTIES ON \$127.5 MILLION WORTH OF OTHER U.S. EXPORTS TO CANADA, WHICH THE UNITED STATES HAS ACCEPTED AS AN APPROPRIATE RESPONSE TO REQUEST. BY ITS ACTIONS IN RESPONSE TO THE U.S. REQUEST, CANADA WILL FOREGO \$3.2 MILLION OF DUTY ON U.S. TRADE IN THOSE ITEMS.

THE LIBERALIZED ITEMS INCLUDE WOVEN FABRICS FOR CLOTHING, DRAPES, CURTAINS AND BEDSPREADS, VISCOSE FILAMENT RAYON YARNS AND CERTAIN ACRYLIC AND OTHER FIBERS.

3. FOLLOWING IS SUBSTANCE CANADIAN LETTER TO U.S.

I REFER TO EARLIER CORRESPONDENCE AND CONSULTATIONS  
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BETWEEN CANADIAN AND UNITED STATES GOVERNMENT OFFICIALS REGARDING THE MEASURES TAKEN BY THE CANADIAN GOVERNMENT, PURSUANT TO ARTICLE XIX OF THE GATT, WITH RESPECT TO POLYESTER YARNS, DOUBLE KNIT FABRICS AND CERTAIN CLOTHING ITEMS AS SET OUT IN THE ATTACHED ANNEX I. I HAVE BEEN ASKED TO INFORM YOU THAT THE MFN RATES OF DUTY WILL BE REDUCED AS SOON AS POSSIBLE ON A NUMBER OF PRODUCTS AS LISTED ON THE ATTACHED ANNEX II UNTIL DECEMBER 31, 1978. FURTHERMORE, THE TEMPORARY REDUCTIONS IN DUTY IN EFFECT UNDER TARIFF ITEMS 56208-1 AND 56209-1 WILL BE MAINTAINED IN FORCE UNTIL DECEMBER 31, 1980.

I HAVE BEEN ASKED TO ADVISE YOU THAT MY GOVERNMENT WOULD BE PREPARED TO ENTER CONSULTATIONS IN THE EVENT THAT CANADIAN RESTRICTIONS ON WEARING APPAREL ARE MAINTAINED AFTER JUNE 30, 1978, AND THOSE ON DOUBLE KNIT FABRICS ARE MAINTAINED AFTER APRIL 8, 1980. IT IS MY GOVERNMENT'S FURTHER UNDERSTANDING THAT IN SUCH CIRCUMSTANCES THE GATT ARTICLE XIX RIGHTS OF BOTH OUR GOVERNMENTS WOULD BE RESERVED.

IT IS MY UNDERSTANDING THAT THIS ACTION WOULD CONSTI-

TUTE A MUTUALLY SATISFACTORY RESOLUTION OF THE MATTER ARISING FROM THE CANADIAN SAFEGUARD ACTION ON IMPORTS OF POLYESTER YARNS, DOUBLE KNIT FABRICS AND CERTAIN TYPES OF CLOTHING.

I WOULD APPRECIATE YOUR CONFIRMATION THAT THIS UNDERSTANDING IS CORRECT.

4. ANNEX I INCLUDES ITEMS OFFERED AT JULY 7 CONSULTATIONS IN OTTAWA AND AUGUST 15 HALLADAY LETTER. ANNEX II LISTS CLOTHING ITEMS MENTIONED IN CANADIAN GATT NOTIFICATION.

5. FOLLOWING IS SUBSTANCE U.S. RESPONSE TO CANADIAN OFFER.

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I REFER TO YOUR LETTER OF SEPTEMBER 8, 1977, REGARDING THE TEMPORARY TARIFF REDUCTIONS WHICH THE CANADIAN GOVERNMENT PROPOSES TO MAKE IN ORDER TO REACH AGREEMENT WITH THE GOVERNMENT OF THE UNITED STATES ON THE MEASURES TAKEN BY CANADA PURSUANT TO ARTICLE XIX OF THE GATT ON POLYESTER FILAMENT YARN, COUBLE KNIT FABRICS, AND CERTAIN ITEMS OF APPAREL DESCRIBED IN THE ANNEX TO THE LETTER.

I HAVE NOTED THAT YOUR GOVERNMENT WOULD BE PREPARED TO ENTER INTO CONSULTATIONS IN THE EVENT THAT CANADIAN RESTRICTIONS ON WEARING APPAREL ARE MAINTAINED AFTER JUNE 30, 1978, AND THOSE ON DOUBLE KNIT FABRICS ARE MAINTAINED AFTER APRIL 8, 1980, AND THAT IN SUCH CIRCUMSTANCES THE GATT ARTICLE XIX RIGHTS OF BOTH GOVERNMENTS WOULD BE RESERVED.

I WISH TO ADVISE YOU THAT ON THE BASIS OF THE UNDERSTANDING SET OUT IN THE PRECEDING PARAGRAPH, THE GOVERNMENT OF THE UNITED STATES AGREES THAT THE PROPOSED ACTION BY THE GOVERNMENT OF CANADA IS A MUTUALLY SATISFACTORY SOLUTION TO THE UNITED STATES CLAIM FOR COMPENSATION. VANCE

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**Disposition Date:** 22 May 2009  
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